

Message Text

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ORIGIN PM-03

INFO OCT-01 ARA-06 ISO-00 SP-02 H-02 L-03 OMB-01 IGA-01

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DRAFTED BY PM/SAS:GSWEANY:RF

APPROVED BY PM/SAS:SWINSHIP

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O R 182150Z JUN 75

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA IMMEDIATE

INFO COMUSMILGP RIO DE JANEIRO

SECDEF

CNO

USCINCSO

C O N F I D E N T I A L STATE 143291

E.O. 11652: GDS

TAGS:MASS, BR

SUBJECT: FMS CREDIT FOR DESTROYER

REF: CNO MESSAGE 131516Z JUNE 75

OINT STATE/DEFENSE MESSAGE

EMBASSY PASS USMILGP BRASILIA

1. DOD HAS NOTIFIED DEPARTMENT THAT GOB DESIRES TO APPLY
\$2.5 MILLION IN FY 1975 FMS CREDIT TO PURCHASE ONE OF THE
"HOT SHIP" DESTROYERS, WHICH IS NOW UNDER CONSIDERATION IN
OMB PRIOR TO SUBMISSION TO CONGRESS.

2. AS NOTED REFTTEL, THERE HAS BEEN STRONG OPPOSITION IN
CONGRESS RECENTLY TO SHIP TRANSFERS TO COUNTRIES THAT HAVE
SEIZED U.S. FISHING BOATS. WHILE CIRCUMSTANCES IN BRAZIL
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SHRIMP BOAT SEIZURE AND GENERAL BACKGROUND AGAINST WHICH

THIS INCIDENT OCCURRED OBVIOUSLY DIFFERENT THAN SOME OTHER CASES, WE BELIEVE SIGNIFICANT OPPOSITION MAY STILL MATERIALIZE WHEN WE GO TO CONGRESS TO DEFEND PROPOSED SHIP TRANSFER. DEPARTMENT BELIEVES THAT TO PROVIDE DESTROYER TO GOB ON CREDIT TERMS, EVEN THOUGH ALL THAT IS INVOLVED IS AN FMS GUARANTY OF THE \$2.5 MILLION LOAN, WOULD PREJUDICE OUR CASE BEFORE TO CONGRESS. THE TRANSFER TO BRAZIL

OF A DESTROYER WOULD MORE EASILY BE DEFENDED IF IT WERE PROVIDED BY CASH TRANSACTION, AND EVEN THEN WE CANNOT PREDICT WHAT THE CONGRESSIONAL REACTION WILL BE. OUR RECENT EXPERIENCE WITH PROPOSED TRANSFERS TO PANAMA AND ECUADOR MAKE US EXTREMELY WARY. (FOR BACKGROUND: TRANSFER TO PANAMA OF SMALL VESSELS WAS DENIED DESPITE RELATIVELY MINOR NATURE OF SEIZURE INCIDENT LAST YEAR AND SIGNIFICANT POLITICAL CONSIDERATIONS -- CANAL NEGOTIATIONS).

3. WE PROPOSE, THEREFORE, TO REFRAIN FROM PROVIDING FMS GUARANTY FOR DESTROYER, BUT WOULD BE WILLING TO APPROVE SUBSTITUTION OF OTHER ITEM OR ITEMS (NOT INCLUDING SHIPS) FOR DESTROYER. GOB HAS NOT, HOWEVER, INDICATED ANY DESIRED ALTERNATIVE USES FOR FMS CREDIT.

4. EMBASSY REQUESTED TO APPROACH APPROPRIATE GOB OFFICIALS TO EXPLAIN SITUATION AND REQUEST LIST OF PROPOSED SUBSTITUTE ITEMS. THERE IS NEED FOR HASTE, SINCE FMS GUARANTY AGREEMENT MUST BE SIGNED PRIOR TO JUNE 30 AND INTERAGENCY CONSULTATIONS ON THE SUBSTANCE OF THE AGREEMENT PRIOR TO EXTENSION OF GUARANTY MUST TAKE PLACE IN THE INTERIM. INGERSOLL

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